United States
Department of Agriculture

Foreign Agriculture Service

May 1988

Foreign Agriculture

New Patterns of Growth Emerging In South China Market

Marketing News

Feed Grains Council Renews Agreement With GOSAGROPROM

The **U.S. Feed Grains Council** signed a cooperative agreement with the deputy chairman of the Soviet Union's state agro-industrial committee, commonly known as GOSAGROPROM. The renewable five-year "protocol" agreement, signed last winter, authorizes the Council to continue market development programs it has been operating in the Soviet Union for the past 15 years. The program includes team travel, meetings, information exchange, bilateral discussions and joint experiments.

U.S. and Soviet officials have agreed to projects dealing with feed production, on-farm storage and the use of computers in animal production. During the first year of the agreement, a Soviet team will visit the United States to study the use of computers in animal production and a U.S. team will visit the Soviet Union to study poultry production.

Retail Supermarket Promotion Held in Bangkok

Consumers in Bangkok, Thailand, recently were treated to an "American Food Fair" during a three-week retail point-of-purchase promotion held by Villa Supermarket. The event, organized by the U.S. agricultural attache in Bangkok and the U.S. agricultural trade officer in Singapore, featured a variety of U.S. food and beverage items including California wines, grapes, raisins and cling peaches, Washington apples, beef and turkey. U.S. market development cooperators who represent these commodities provided materials and helped sponsor the event.

Product samples, banners, hanging mobiles and other promotional materials were used in the event which attracted both expatriates and local Thais. Additional display stands were constructed on an adjacent parking lot.

Sales of U.S. food products during the promotion far exceeded the expectations of the store management and Thai suppliers, according to the agricultural attache. In fact, a two-month supply of stocks purchased by Thai suppliers was depleted by the event. As a result of the promotion, local suppliers have expressed an interest in introducing new products and in undertaking additional promotions in the coming year.

Export Operations Workshop To Be Held in July

The World Trade Institute at the World Trade Center will hold an Export Operations workshop in New York City, July 13-15. The workshop is designed for export and import managers, international documentation supervisors and freight forwarders, credit and collection personnel and trainers.

The workshop, which combines lectures and discussions with "hands-on" exercises, will address the entire export process, emphasizing the fundamentals of export documentation and procedures. Other topics will include export terms; sales and distribution channels overseas; export packing and marking; inland, marine and air cargo transportation; cargo insurance; and services to shippers. The new Harmonized Commodity Description and Coding System, an international system which will standardize commodity descriptions, will also be discussed.

For information, call Eunice Coleman, Program Manager, (212) 466-3170.

JAPAN '88 Scheduled for August in Tokyo

U.S. exporters interested in breaking into the Japanese market are invited to participate in **JAPAN '88,** an import exhibition to be held in Tokyo, August 30-September 1, 1988. Exhibitors at JAPAN '88 will have the opportunity to reach up to 4,000 Japanese importers of high-quality food and beverage products. For further information, contact Willis Collie, USDA/FAS, Room 4649-South Building, Washington, DC, 20250-1000. Tel. (202) 475-3623.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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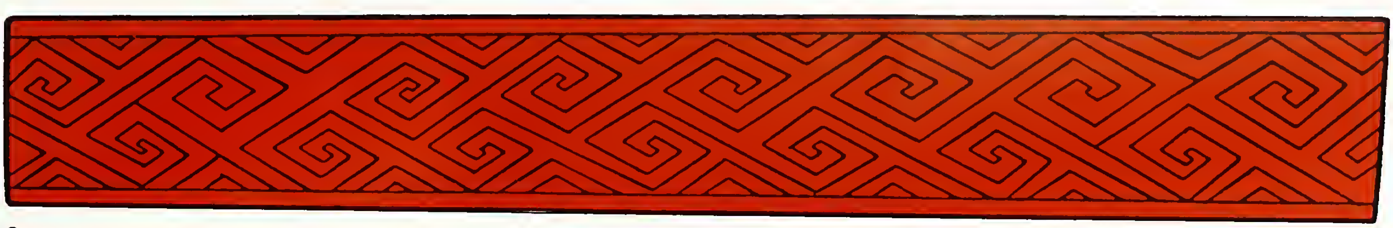


Cover:
Detail of Artifacts from a 2nd Century Tomb in South China.

South China Is Fast-Growing Region For U.S. Agricultural Sales to China

By Larry Senger

South China, particularly Guangdong Province, is one of the most dynamic regional markets within China. It also has the potential to be one of the fastest growing markets in China for U.S. agricultural products.

In 1987, China purchased about $234 million worth of U.S. farm products. This fiscal year, the value of U.S. agricultural exports to this market will increase about 70 percent, boosting the total to roughly $400 million.

The reason for South China's tremendous potential is that three of China's four special economic zones (Shenzen, Zhuhai and Shantou) are located in Guangdong Province.

In addition, Hainan Island, previously part of Guangdong Province, was given provincial status and special economic liberties during the recent 13th party congress. Increased economic activity on

Hainan Island could further enhance South China's demand for imports of agricultural products and inputs.

Another reason for Guangdong's excellent potential is its proximity to Hong Kong. Guangdong shares the Pearl River Delta with both Hong Kong and Macao. Business connections with these two markets ensure Guangdong of a lively economy and hard currency earnings necessary for purchasing imports.

A brief look at the commodity prospects in South China illustrates the dynamism of the market.

Livestock

South China's feed and livestock sectors are growing, which represents an opportunity for sales of U.S. breeding livestock and feed grains. Unfortunately, stringent quarantine requirements and decreased livestock budgets slashed imports of U.S. cows and pigs in 1987.

However, South China's purchases of chicken breeding stock continue strong. Meanwhile, demand for dairy and pig breeding stock still exists and could translate into imports in 1988. Limited demand also exists for rabbit breeding stock.

Animal Feed

South China produces primarily rice, sugarcane, fruits and vegetables. It is a corn- and soybean-deficit region. As a result, it must either buy these animal feed inputs from northern China or import them.

In 1988, South China will require imports of corn and soybeans to meet demand for animal feed. However, due to limited domestic supplies and China's

U.S. Farm Exports Benefit From China's Economic Growth

U.S. agricultural exports to China have resumed rapid growth. Strong economic growth has stimulated demand in China for livestock products, wheat and other quality foods, as well as raw materials for processing.

Since 1984, the development of China's livestock and milling industries has been accompanied by reduced levels of grain production, which has created substantial import demand. Foreign exchange shortages have restrained this import demand, but the foreign exchange situation improved dramatically in 1987. Imports last year were boosted, and prospects are good for continued growth in 1988 and future years.

Economic growth is stimulating expansion of demand throughout most of China, although several centers of economic activity in the coastal areas have been particularly dynamic. One of the early centers of expanded economic activity has been South China, especially Guangdong Province, but also in Fujian and other adjoining provinces.

In North China, Tianjin has been prominent for its impressive economic developments. Major economic developments also are occurring in Beijing, Shandong and other northeastern provinces.

The giant of Chinese economic strength is east China, near the Yangtze River, extending upriver from Shanghai through or along several provinces, most notably Jiangsu and Hubei. In addition, both northeast and west China provide strong raw material bases.

The Foreign Agricultural Service has agricultural trade offices in South China (Guangzhou) and north China (Beijing). (See box.)

underdeveloped transportation infrastructure, South China will have to look to foreign markets to supply a good part of its feed grain deficit.

In 1987, China imported about 1.3 million metric tons of corn and 530,000 tons of soybeans from the United States. Most of the corn was for southern China, and soybeans were off-loaded mainly at Shanghai.

These 1987 purchases of U.S. corn and soybeans represent a significant gain over the previous two years. In 1985, the United States exported no corn to China. In 1986, U.S. corn exports to China amounted to only just under 57,000 tons. Meanwhile, U.S. soybean exports to China for 1985 and 1986 were 63,000 and 124,000 tons, respectively.

U.S. corn and soybean sales to China increased in 1987 for several reasons: Chinese demand for feed grains is on the rise; prices of U.S. soybeans and corn were competitive with other suppliers; less corn was available from Thai sources; and successful U.S. market promotion programs continued to be implemented.

Wheat

South China is traditionally a rice-consuming region. However, incomes there are rising. Along with more disposable income has come an increased demand for wheat-based food products.

Chinese imports of U.S. wheat were about 2 million tons in 1987, about one-fifth of China's total wheat imports of 14 million tons. This is in contrast to 1986 when no wheat was imported from the United States.

China's imports of U.S. wheat in 1987 came after the announcement of an Export Enhancement Program (EEP) initiative for U.S. wheat. Since early 1987, four EEP initiatives for wheat have been announced and completed, each one for 1 million tons. Through the EEP program, the United States is likely to maintain and perhaps enlarge its share of the Chinese market for imported wheat in 1988.

Increased awareness of and consumption of U.S.-wheat based foods is given a boost by the U.S. Wheat Associates baking technology transfer program in Guangzhou. Several bread, pastry and

noodle experts residing in Hong Kong make regular visits to Guangzhou to give seminars in the Sino-American Baking School at the Guangdong Cereal Oil and Animal Feed Industry Corp. technical school.

U.S. Wheat Associates consider this school to be one of the largest and most promising of its projects in the Far East. The school provides basic baker's training to students from throughout China. Since its inauguration in 1985, the school has graduated more than 300 students.

Processed and Fresh Foods

The number of hotels in South China catering to Hong Kong, Japanese and Western business representatives, as well as tourists, is on the rise.

These hotels represent a small potential market for exports of processed foods, wines, red meat and fresh fruits and vegetables (oranges, strawberries and avocados, for example) from the United States. However, tariffs on these products are high, and non-tariff barriers exist as well.

In 1987, the Wine Institute sponsored the first U.S. wine-tasting in Guangzhou. More than 40 wines from California were sampled. Most of the invited guests were food and beverage managers, chefs and managers of local hotels.

Invitations also went out to officials from the local agencies that control the importation of foodstuffs, as well as to officials from agencies promoting tourism.

Other Products

Current wood product import demand is primarily for logs, but opportunities to expand into sales of processed products also may exist.

Both internal needs and export demand for leather goods may generate import markets for hides and skins, as well as semi-finished and finished leather. ■

The author is the U.S. agricultural trade officer in Guangzhou.

Trade Offices Can Help U.S. Exporters

The Foreign Agricultural Service maintains two trade offices in China to assist U.S. agricultural exporters in doing business in this market. These offices provide information on what China is importing at any particular time and which groups are doing the importing. The officers in charge also can help U.S. exporters obtain invitations by importers which they need in order to sell in China. Addresses for the two trade offices are as follows:

Beijing:
Xiu Shui Dong Jie 2
Mailing address:
Agricultural Trade Office
American Embassy
FPO San Francisco 96655-0001
Tel. 011-86-1-532-3831 Ext. 274
Telex: 7400483 AGBE1 UC or
22701 AMEMB CN
FAX: 532-2962

Guangzhou:
Dong Fang Hotel
Mailing address:
Agricultural Trade Office
American Consulate General
Box 100
Dong Fang Hotel
FPO San Francisco 96655-0002
Tel. 011-86-20-67-7553 or
011-86-20-66-9900 Ext. 1180
Telex: 44439 GZDFH CN Larry Senger, U.S. Consulate
FAX: 66-2775

U.S. High-Value Products Strike It Big in Canada

External Affairs Canada Photos

By William Glynn

Canada is the largest market for U.S. high-value product exports, accounting for almost 20 percent of total U.S. high-value product trade. Over 85 percent of all U.S. agricultural exports to Canada are in the form of high-value products.[1]

With a population of almost 26 million people, Canada shows excellent potential as an even bigger market for U.S. products. Trade between the United States and Canada is smoothed because the two countries share a common language as well as great similarities in customs and culture, socio-economic status, economic structure and consumer preferences.

Horticultural Products Top Export List

Horticultural and tropical products, the largest component of high-value trade with Canada, account for nearly 62 percent of U.S. high-value product exports to Canada. Leading the way are fresh vegetables, which have shown a slow but steady increase over the past several decades. Prospects for this trend to continue are favorable.

Other horticultural and tropical products exhibiting excellent growth rates or a high value in total sales include: chocolate and products; cocoa butter and paste; fresh stone fruits; edible nuts; fruits, jams and jellies; fresh berries; soups and broths; and live plants and bulbs.

Dairy, livestock and poultry products make up the second-largest category of high-value exports to Canada. The largest segment in this category is undressed furskins, followed by fresh or frozen bovine meat and bovine cattle.

High-value grain and feed products, which have posted an annual growth rate of 8 percent since 1980, also show potential for further growth. Leading product groups are starch/inulin/gluten products; prepared breakfast food and bread, biscuits and cake.

The potential for fast foods such as frozen and microwavable products, and for foods with a short preparation time, also

[1] *The U.S. Department of Agriculture defines high-value products as value-added processed products and consumer ready products such as nuts, fresh fruits and vegetables.*

appears promising. Market expansion in branded products is another potential area for U.S. exporters to explore.

Labeling Practices Strictly Controlled

Although the outlook for trade appears good, labeling requirements continue to present possible constraints. Canada uses the metric system, and metric weights and measures must be stated on the labels of all prepackaged consumer products.

Certain products also must conform to standard metric sizes which creates a problem for some packaged U.S. products. For example, sliced bacon must be marketed in 500-gram packages and 1-pound (454-gram) packages are not allowed.

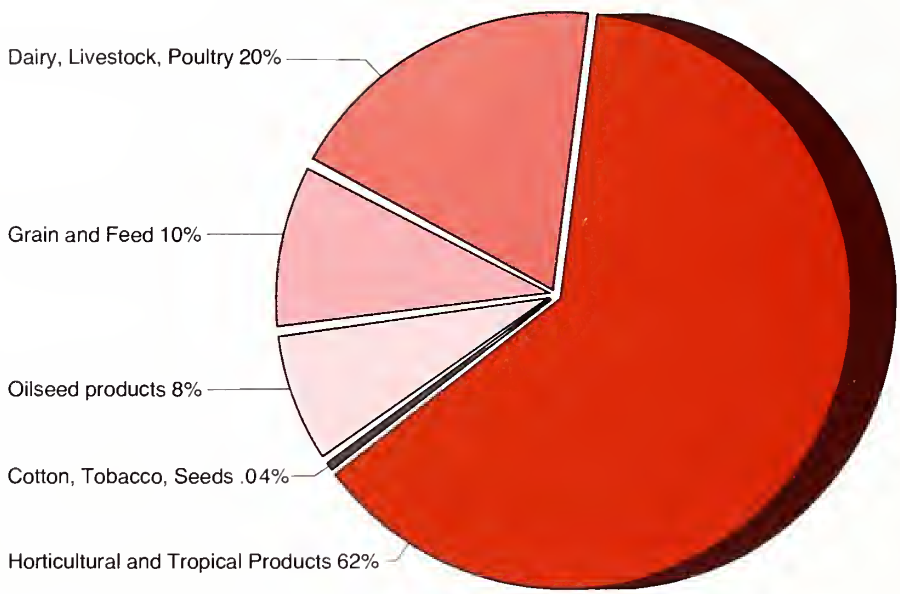
Bilingual labeling is required for almost all consumer food products entering Canada. French is one of the two official languages in Canada and is the principal language in many of the large urban areas of eastern Canada.

Regulations regarding nutritional claims are restrictive and strictly enforced, and ingredient labeling is examined closely. Also, Canada's chemical tolerance levels for residues found in consumer-ready or processed products differ from international standards.

In addition, phytosanitary concerns will continue to restrict entry of some U.S. products. For example, imports of seed potatoes from certain western states are prohibited because of the presence of the Columbian root-knot nematode.

To ensure that a product meets with all applicable Canadian regulations, U.S. firms should have their product labels examined before shipment. The Canadian government maintains central clearinghouses for domestic or foreign label submissions.

Horticultural and Tropical Products Top List of U.S. High-Value Exports to Canada



1986 Calendar Year

U.S. firms should submit their labels to the nearest regional office (see box). Additionally, certain products need the approval of separate government agencies before they can be imported into Canada.

Free Trade Agreement Will Help

The new U.S.-Canadian Free Trade Agreement is expected to open the doors wider to markets on both sides of the border. If the pact is approved by both nations, all tariff and some non-tariff barriers to agricultural trade will be eliminated over the next 10 years.

This is not to say that U.S. firms will be able to export their products without any restrictions. Some constraints to trade, particularly trade in high-value products, will still exist.

For example, while discriminatory price markups on U.S. wines will be eliminated, the sale of alcoholic beverages will remain under the control of the sovereign provincial monopolies. Each of these boards has its own set of rules and regulations which affect the acceptability and marketability of liquor products in the jurisdiction.

Fresh fruits and vegetables could continue to face seasonal restrictions, as there is a "snapback" provision in the tentative trade pact which allows either country to apply tariffs for up to 180 days a year under certain price and production conditions. These could affect imports of commodities grown in Canada, such as cherries, strawberries, potatoes and lettuce.

Just as with any potential market, developing the Canadian market requires hard work. One method is to increase market exposure for U.S. products through U.S. media advertising.

U.S. radio, television, newspapers and magazines are easily accessible in many regions of Canada, particularly in metropolitan areas. This adds to product recognition and ultimately greater consumer demand for U.S. products.

Another way is through food shows. In October, the Food Pacific — 1988 international food trade show will be held in Vancouver, British Columbia. More than 100 U.S. companies and 12 state groups will have exhibits at the show.

For more information on the exhibit, contact: Larry Thomasson, U.S. Agricultural Counselor (Ottawa), P.O. Box 5000, Ogdensburg, N.Y. 13669-0430. Tel. (613) 238-5335, ext. 267. ■

The author is with the High Value Products Division, FAS. Tel. (202) 475-3415.

Useful Addresses

U.S. firms should have their products and labels examined before shipment to Canada. Listed below are the offices responsible for approvals.

Head Office
Mr. C. G. Sheppard, Chief
Manufactured Foods Division
Consumer Products Branch
Department of Consumer and Corporate Affairs
Place du Portage, Phase I
16th Floor, Zone 2, 50 Victoria Street
Hull, Quebec K1A 0C9
Phone: (819) 997-1591

Regional Offices

Maritime Region
Mr. A. C. Scott
Regional Manager
Consumer Products
Department of Consumer and
Corporate Affairs Canada
Queen Square, 17th Floor
45 Alderney Drive
Dartmouth, Nova Scotia B2Y 2N6
Phone: (902) 426-2494

West Coast Region
Mr. M. G. Mark
Regional Manager
Consumer Products
Department of Consumer and
Corporate Affairs Canada
1400-800 Burrard Street
Vancouver, British Columbia V6Z 2H8
Phone: (604) 666-5050

Prairie Region
Mr. M. S. Baleja
Regional Manager
Consumer Products
Department of Consumer and
Corporate Affairs Canada
260 St. Mary Avenue
Winnipeg, Manitoba R3C 0M6
Phone: (204) 949-2843

Central Region
Mr. E. Longer
Regional Manager
Consumer Products
Department of Consumer and
Corporate Affairs Canada
Suite 502, 200 Dorchester West
Montreal, Quebec H2Z 1X4
Phone: (514) 283-7715

Mr. M. T. Zuber
Regional Manager
Consumer Products
Department of Consumer and
Corporate Affairs Canada
Federal Building, 6th Floor
4900 Yonge Street
Willowdale, Ontario M2N 6B8
Phone (416) 224-4040

For Fish Products

Inspection Branch
Fisheries & Oceans Canada
Station 1102
Ottawa, Ontario
K1A 0E6
Phone: (613) 990-0144

For Products Containing Meat

Mr. Gerry Roy
Standards and Labels
Meat Hygiene Division
Food Production and Inspection Branch
Agriculture Canada
4th Floor, Room #435
Halldon House
2255 Carling Avenue
Ottawa, Ontario K1A 0Y9
Phone: (613) 995-5433

For Processed Fruits and Vegetables

Labeling Section
Dairy, Fruit and Vegetable Division
Agriculture Canada
Halldon House
2255 Carling Avenue
Ottawa, Ontario K1A 0Y9
Phone: (613) 995-5433

Singapore Market Challenges Wine Exporters

By Leslie Berger

So far, the United States holds only a small, 5-percent share of the Singapore wine market. However, that share could be improved substantially, judging from Singapore's improving economy, the changing composition of the market and the way in which the qualities of U.S. wine have captivated other new Asian markets such as Hong Kong and Japan.

Singapore seems an ideal target for wine exporters. It has a well-established hotel and restaurant trade serving tourists, expatriates and local Asians. Its thriving economy has the second highest per capita income level in Southeast Asia. And the cosmopolitan people of Singapore have an open attitude toward trying new products.

Moreover, the teeming entrepot trade, for which Singapore is noted, provides potential for re-exports of U.S. wines to countries such as Indonesia, Malaysia, Brunei and Thailand. The increasing number of international hotels and resorts in these countries offers additional natural outlets for U.S. wines, once their reputations are established.

Breaking New Ground for U.S. Wines

With the emergence of U.S. brokers and wine importers representing California wineries, the promotional groundwork in Singapore is already underway.

Although several major importers sell most of their U.S. wines to supermarkets, California wines also are on the list in selected international hotels which previously sold only European wines.

U.S. wines also are sold in small retail shops, hotels and restaurants. However, most of the outlets are supplied by one major importer and, therefore, are limited to their line of wines.

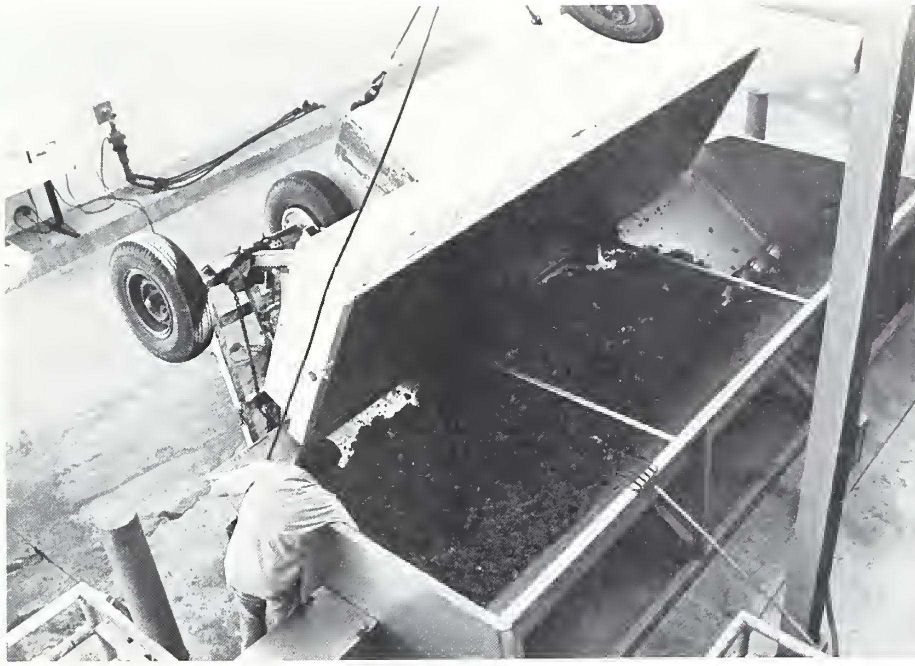
Each of the six or seven major wine and spirits importers generally carry only one brand of U.S. wines, thus limiting the expansion of U.S. wines in Singapore.

Most wine is imported into Singapore by large importers, who handle a wide selection of food and beverages. These importers are generally members of a larger conglomerate firm which allocates only a small percentage of its budget to U.S. wines.

Smaller importers also are present and may carry a more varied line of U.S. and other wines.

Promotion Efforts Intensified

Operating with funds from the Targeted Export Assistance program sponsored by the Foreign Agricultural Service, the California Wine Institute has attempted to



increase awareness of U.S. wines through promotion. Efforts in Singapore have included point-of-purchase display material, media advertising, wine tastings and representation at food and beverage shows.

Wine promoters in Singapore are faced with several problems, however. The local population does not associate the drinking of wine with meals, and few Chinese drink alcohol in the home.

In addition, a lack of information on wine leads many to believe that price is an indicator of quality. Therefore, many choose high-priced French wines over moderately priced U.S. wines, regardless of quality.

While working to overcome these obstacles, U.S. promoters hope to take advantage of Singapore's changing consumer patterns.

Although beer and spirits are considered drinks for men, it is now socially acceptable for Singapore's women to drink wine. More women, who previously consumed minimal amounts of alcoholic beverages, are entering the work force and are acquiring the disposable income needed to purchase wine.

Tariffs Snag U.S. Wine Exports

Several major barriers have hindered U.S. wine sales to Singapore. Although Singapore is a duty-free port for most items, import tariffs exist on alcoholic beverages, tobacco, sugar, gasoline and rubber. Tariffs on wine traditionally have been high.

On March 4, 1987, import duties on alcoholic beverages were raised dramatically to provide government revenue. The United States has been particularly affected since nearly 85 percent of all U.S. wine exports to Singapore fall in the category of wine with less than 13-percent alcohol content—the category with the highest percentage increase in tariff rate.

The tariff on wine coolers doubled with this increase, making wine coolers no longer competitive with alternative beverages such as beer or soft drinks. Wine coolers might have provided a good introduction to U.S. wine for new wine drinkers, but high tariffs make this an expensive choice for first-time consumers.

Market Structure Can Hinder Sales

Another major factor obstructing U.S. wine sales is the structure of the market. The major importers in Singapore are European, often descendants of the British trading companies which have been importing European wines for many years.

These importers have long-established relationships with European governments, wine industry organizations and wineries.

They are inclined to spend most of their efforts promoting European wines and are reluctant to expand their inventory to include more U.S. wines.

France traditionaly has had the lion's share of the Singapore wine market, increasing its share from 53 percent in volume in 1982 to 62 percent in 1986.

Most of the wine from France is still wine containing less than 13 percent alcohol. However, 1986 marks the first year that France entered the fortified wine market in Singapore. Although France is well known for its premium wines, a greater proportion of its exports to Singapore are blended table wines.

Over 80 percent of Singapore's sparkling wine imports are from France. French wine is readily available in both retail outlets and in hotels and restaurants.

Italy and West Germany also compete directly with the United States in both retail and hotel/restaurant trade. Imports from these and other European Community countries move equally into these two market channels.

Imports from Italy are mostly still wines with low alcohol content and low prices. The cost of producing wine in Italy is lower than in France or Germany. In addition, an EC subsidy scheme offers refunds to shippers for wine shipped to Singapore and other non-EC countries, helping to keep European wine prices low.

Germany exports both unfortified still wine and sparkling wine. Spain and Portugal export fortified wines such as Sherry and Madeira.

Australia recently has emerged as a major wine supplier to Singapore. Although the quality of this wine is questioned by some connoisseurs, Australia has been relatively successful in establishing a niche in the supermarket trade.

Promotional efforts have been geared toward lower priced, blended wines packaged in plastic-lined cardboard containers of 2 to 5 liters called casks. This product sold well until the most recent tariff increases made it too expensive to purchase wine in such large quantitites. ■

The author is with the Horticultural and Tropical Products Division, FAS. Tel. (202) 382-8899.

Fact File

How U.S. Export Sales Are Monitored

U.S. agricultural exports, which totaled $28 billion last year, are monitored daily and weekly by the U.S. Department of Agriculture (USDA) through its export sales reporting system. This monitoring system provides a constant stream of up-to-date information on the quantity of agricultural commodities moving abroad. It provides a timely early warning system on the possible impact of these exports on U.S. supplies and prices. The data can be used, for example, to assess the level of export demand, to determine where markets exist and to assess the relative position of different commodities in those markets.

Weekly and Daily Reports Available

Under the export sales reporting system, U.S. exporters are required to report all large sales of certain commodities by 3 p.m. eastern time on the next business day after the sale. Large sales for all reportable commodities except soybean oil are defined as 100,000 metric tons or more of one commodity in one day or 200,000 tons or more in one week. Large sales for soybean oil are 20,000 tons a day and 40,000 tons a week. Daily reports are required for wheat (by class), barley, corn, grain sorghum, oats, soybeans, soybean cake and meal and soybean oil.

Weekly reports also are required, regardless of the size of the sales transaction, for those commodities and for wheat products, rye, flaxseed, linseed oil, cotton (by type), cottonseed, cottonseed cake and meal, and cottonseed oil, rice (by class), and cattle hides and skins. The reporting week is Friday through Thursday.

What Is Reported

U.S. exporters provide information on the quantity of their sales, the type and class of commodity, the marketing year of shipment and the destination. They also must report any changes in previously reported information such as cancellations and changes in destination. Reported information is released only in compilation form.

Release Schedule

All daily sales reported to USDA by the 3 p.m. deadline are summarized and released to the public through a news announcement on the same day. A weekly summary of export activity, *U.S. Export Sales,* is generally published on Thursday afternoon. To be placed on the mailing list, contact: Export Sales Reporting, Room 5965-S, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250-1000. Tel. (202) 447-9209.

Why the Program Started

USDA's export sales reporting system had its roots in an unanticipated purchase of large amounts of grain by the Soviet Union in 1972. Huge Soviet purchases of U.S. wheat and corn that year produced a sizable runup in U.S. food prices and depleted U.S. reserve stocks. There also was concern over the advantage which large grain companies gained in this situation because they had more information than was available to the public on future prices and grain trade trends.

To make sure that all parties involved in the production and export of U.S. grain had access to up-to-date export information, the U.S. Congress mandated an export sales reporting requirement in 1973. Before the export reporting system began, it was impossible for the public to obtain information on exports until they were shipped. This frequently resulted in a considerable delay in obtaining information.

Algeria Offers Opportunities To U.S. Wood Exporters

By Besa Kotati

Algeria needs wood and related products to meet the growing demand of the country's housing industry — a demand that offers potential sales opportunities to U.S. wood exporters.

Algeria requires roughly 300,000 new housing units (mostly apartments) each year to house its population of about 25 million. The country's 3.3-percent annual growth rate ensures that demand for new housing will continue.

Despite the level of housing needed, Algeria has been able to build only 170,000 units each year because of a combination of factors.

One is the lack of incentives given to Algerian builders. Another is that the construction of multi-housing units has been limited to turnkey government-financed projects. A turnkey project is one in which a private contractor completes the work of building and installation to the point of readiness, at which time the unit is sold to the customer at a prearranged price.

A final factor limiting construction has been the government's restriction on imports of wood and wood products because of foreign exchange limitations. However, realizing the growing need for housing, the government has been flexible about encouraging imports of construction materials, including wood.

How To Market Wood in Algeria

Algeria has no private companies importing wood. All wood and products are distributed to individuals and semi-private entities through two state-run agencies. These two government-owned and operated agencies — ENATB and ENAB — have a virtual monopoly on wood imports.

ENATB, which is under the administrative control of Algeria's Ministry of Light Industries, is relatively new to importing wood. The agency is responsible for supplying and operating furniture manufacturing plants as well as several sawmills.

ENATB is likely to become a large importer of all types of wood and wood products. Recently, the agency was granted authority to import sawn wood, plywood and veneers to supply plants, including those under the supervision of ENAB.

ENAB, which is under the Ministry of Commerce, is responsible for the production of carpentry and prefabricated wood products. This year, ENAB will be operating fully as an importer. Algeria buys hardwood and softwood primarily for the housing sector and the furniture manufacturing industry.

Until a year ago, ENAB was the only importer of wood for Algeria, buying for both the private and public sectors. Many of the wooden furniture and products previously purchased by ENAB have been turned over to wood product enterprises under the Ministry of Light Industries.

Learn How the Market Operates

A U.S. exporter interested in marketing wood products in Algeria needs to understand the working relationship between these two Algerian ministries. They determine what types of wood Algeria must import and where to buy it.

Once a year, tenders are issued to supply the country's needs for wood and wood products (see box). Although supplier credit must be available for importing wood and products, there is usually a performance bond requirement of 5 to 15 percent, depending on the negotiations. ENAB has been using deferred payment terms for one year or more from suppliers.

In general, Algeria prefers to purchase wood and other products from suppliers offering better prices and credit financing. U.S. exporters of wood have a better chance of obtaining a share of the Algerian market than in the past because of USDA's recent introduction of $30 million in GSM-102 credit guarantees for lumber, plywood, veneer and wood pulp.

In February 1988, a U.S. exporter signed the first sales contract worth $5.7 million with an option of another $5.8 million for U.S. wood exports to Algeria under USDA's GSM-102 program for fiscal 1988.

Assessing Algerian Wood Needs

U.S. wood suppliers interested in marketing their products in Algeria may find the following information on the most recent tender specifications of use. They indicate the type and quality of wood Algeria has been importing. Last year, Algeria issued several tenders for wood and products. They included:

White Pulp: 3,000 tons of short fiber; 7,000 tons of long fiber.

Undressed Timber: $36.4 million worth of wood peeled, sawn timber and veneer.

Redwood and Whitewood: Quantities submitted are up to the seller.

Paper Pulp: 32,000 tons of blanched paper pulp worth roughly $20 million.

Possible Switch in Suppliers

In the past, Algeria's traditional suppliers have been in Africa and Europe because these regions met Algeria's product standards. However, recent indications from state buying organizations imply that sizes of various species of wood could be made compatible with U.S. sizes and that species of wood other than those traditionally purchased would be acceptable.

Algerian law prohibits importers from trading with intermediaries. All suppliers must complete and sign a form certifying that they are producers of wood products and not agents.

All contracts must be approved by an inter-ministerial committee, which requires a 30- to 60-day grace period for final contract approval. This point usually is negotiable, particularly as it pertains to pricing and sales contract liabilities.

Personal Contact Is Important

Personal negotiations are part of acceptable Algerian trading practices. After submitting price offers via telex, the top-ranked three to five suppliers are asked to come to Algeria for a final price offer negotiaton.

At the first meeting, all parties will be asked to resubmit offers several times to arrive at the best possible price. This process will continue until Algerian negotiators feel they have obtained their best price offers.

Major contacts in Algeria for importation of wood and wood products are:

Entreprise Nationale
d'Approvisionnement et de
Transformation du Bois (ENATB)

Office: 1 Rue Kaddour Rahim,
Hussein Dey (Alger), Algeria
Tel. 77.50.00 or 77.52.00
Telex: 63.418

Factory: B.P.18, Route de Chrea
Bouinan, Blida
Wilaya de Tipaza
Algeria
Tel. 48.20.17; 48.34.38; or 48.25.20

Contacts:
Mr. Keramane, Director General
Mr. Hamali, Commercial Director
Mr. Bouderaoui, Procurement Director

Enterprise Nationale
d'Approvisionnement en Bois et Derives
(ENAB)
2 Boulevard Mohamed V
Algiers, Algeria
Tel. 63.85.37
Telex: COBALGER 66470/65314

Contacts:
Mr. Abdennebi, Director General
Mr. Aberkane, Procurement Director

U.S. exporters interested in pursuing opportunities for wood sales in Algeria also should contact the U.S. Agricultural Trade Office in Algiers at the following address:

U.S. Agricultural Trade Office
Algiers
c/o U.S. Department of State
Washington, D.C. 20520-6030
Tel. (011-213) 2-78.60.25 and
(011-213) 2-79.73.52
Telex: 61484 USAGR DZ
Workweek: Saturday–Wednesday ■

The author is the U.S. agricultural trade officer in Algiers.

Shipping Cattle Overseas: Tips To Make It Easier

What if you just sold 300 steers to a buyer in Portugal. Would you know how to arrange to ship the animals so that they arrived alive and healthy?

Do the animals have to be inoculated for any diseases? Should you send them by air or sea? Does a veterinarian need to inspect the animals? What papers do you need to send along with them?

Shipping animals to overseas markets can be a confusing operation, but it need not be. Help is available through USDA's Office of Transportation.

The office has a free set of "Transportation Tips" fact sheets on exporting livestock which cover the gamut – from whether to ship animals by plane or boat to what drugs you'll need for your overseas-destined animals.

Where To Go for Detailed Information

Exporting Livestock: Where To Get Information tells you what departments within the USDA to contact for information on health and test requirements for exported livestock, on marketing your animals overseas and on government programs designed to promote the sale of U.S. livestock in foreign markets.

Exporting Livestock: Transportation Options compares the advantages and disadvantages of shipping animals by air or sea.

For instance, shipping by air is fast and feed and water may not be necessary for your animals, but air shipment usually costs more than shipping by sea. Some airports, however, may not have the specialized equipment required to load and unload livestock.

On the other hand, shipping animals by sea opens up some geographic areas that do not have airports with animal handling facilities. And, in general, larger shipments of animals can be accommodated on ships.

The fact sheet also contains a list of U.S ports of embarkation. All animals except

those destined for Canada and Mexico must be exported through these ports.

Stress Kills Livestock

With the warning that livestock being shipped overseas can build up an exceptional amount of stress that may result in death, *Exporting Livestock: Preparing Cattle for Export* gives recommendations on the care and handling of cattle to reduce stress during shipping.

For instance, the publication warns against feeding cattle high protein feed before shipping which will eliminate or reduce digestive disturbances during shipping. If such tips are followed, livestock are more likely to arrive at their destination safe and healthy.

The Code of Federal Regulations is the basis for *Exporting Livestock: Minimum Space Guidelines*. The fact sheet contains a table showing the space needed on a plane or ship for animals weighing from 100 to 1,800 pounds each.

In general, animals shipped by air need slightly less space than if shipped by sea because air shipping is faster and the animals will not be penned up for long on an airplane. The fact sheets also gives dimensions for containers used in transporting livestock by ship.

Drugs Needed for Cattle

Exporting Livestock: Drugs and Equipment for Cattle Shipped by Sea lists the drugs needed to accompany cattle being transported by ship. As a guide, the fact sheet gives the quantities of various drugs needed for 1,000 head of cattle.

Although the fact sheet lists all of the drugs which the Office of Transportation feels are necessary to keep sea-going cattle healthy, it also contains the caveat "inspection of animals immediately prior to embarkation is necessary for accurate determination of drugs and equipment needed."

Exporting Livestock: Penning Systems for Livestock Shipped by Air gives specifications on building pallet pens for use in shipping animals by air. The fact sheet also contains diagrams showing how pens should be arranged on DC-8, DC-10 and 747 aircraft. A table showing the payload each of these aircraft can handle is included.

For free copies of the Transportation Tips or more information on animal transport in general, contact:

Office of Transportation
International Division, Export
Services Branch
U.S. Department of Agriculture
Room 1405 — Auditors Building
Washington, D.C. 20250-1000
Tel. (202) 653-6317. ■

U.S. Sugar Plums: A Surprise Hit in Taiwan

By James B. Swain

Visions of sugar plums are dancing in the heads of Taiwan consumers, thanks to a small shipment of the fruit accidentally sent to Taiwan two years ago. The fruit has become an unexpected hit there and shipments have increased more than 22-fold.

Fresh U.S. prunes, also known as sugar plums, were virtually unknown in Taiwan until two containers of them arrived in 1986 from California instead of the regular plum varieties ordered by the Taipei Agricultural Marketing Corporation (TAMC).

Smart Marketing Entices Consumers

The prunes were so different from plums consumers were used to that the TAMC feared the shipment would be a total loss. However, the Corporation decided to retail the prunes at its six affiliated supermarkets in Taipei instead of auctioning them through the wholesale market.

Although a relatively low-priced fruit in the United States, the fresh prunes were promoted in TAMC's supermarkets as a luxury-class item, priced at NT$220 per kilogram (U.S.$2.70 per pound). Taste samples were provided, and six to eight prunes were packaged on plastic trays.

Consumers, undeterred by the high price, liked the sweet taste of the fruit so much they bought out the entire 3,600-case stock.

Prune's Popularity Increases

Word of TAMC's success spread, and one or two other importers were able to bring in a few hundred cases of prunes by air at the end of the 1986 season. About 10 importers jumped on the bandwagon for the 1987 season (August-October) bringing in an estimated 80,000 cases, up from an estimated 4,500 cases in 1986. Retail prices initially were set at the 1986 level but fell as the season progressed to average about NT$185 per kilogram, about US$2.80 per pound, with the appreciation of the Taiwan dollar.

Last year's sales strongly confirmed the favorable public response of 1986. Apart from the intrinsic qualities of U.S prunes, sales benefited from the fact that the Chinese name for prunes is a synonym for Chinese black jujubes, an expensive health herbal.

Black jujubes, generally sold in dried form, are similar in appearance to U.S. dried prunes. Some local importers and vendors called the fresh prunes the Chinese name for "honey jujubes" a name used for sweetened yellow jujubes.

Competition May Become a Threat

Fresh prune imports in 1987 accounted for about 15 percent by volume of the total plum import market in Taiwan, some 945 tons, compared with the 55 tons in 1986. Fresh plum imports are estimated to have reached 6,220 tons in 1987, compared to 1,422 tons in 1986.

Although the United States accounted for all fresh prune imports in 1986 and 1987, importers last year were unable to obtain the quantities of U.S. fresh prunes they wanted.

Most orders were filled from California, with some from Washington and other states. Some importers believe Washington may be able to cash in on this market with the plum variety "President," which is similar in appearance to the sugar plums.

Given sufficient supplies at competitive prices, the 1988 season should witness a further substantial jump in fresh prune imports from the United States. However, if the availability of U.S. prunes is limited, Taiwan buyers will seek additional sources next season, perhaps Australia and South Africa, and certainly Israel.

Several factors have contributed to the development of the Taiwan plum market:

— A tariff reduction from 65 percent on January 1, 1985, to 35 percent on January 1, 1987;

— The removal of the customs surcharge of 5 percent on January 1, 1985;

— The reduction of the harbor tax from 4 to 0.5 percent in August 1987;

— The growth in supermarkets;

— An increase in disposable incomes; and

— The market promotion activities of the California Tree Fruit Association and the American Institute in Taiwan. ■

The author is the former agricultural officer at the American Institute in Taiwan.

China

Boom in Beer Output Leads to Barley Imports

During the 1980s, China's beer production increased more than sevenfold and is expected to have reached 5 billion liters in 1987. The goal for the current five-year plan likely will be fulfilled in 1988, two years early. The result is a shift from concentrating on increasing output to improving quality. This is also true for the raw materials of barley and hops.

While China produced enough barley to fill its domestic brewing needs, much of the production is not up to brewing standards. As a consequence, in 1986 China imported between 200,000 and 300,000 metric tons of malting barley. Canada was the major supplier. Barley imports are likely to continue, but most likely at a reduced rate. The strong brewery demand and free market prices in 1986 led to the expansion of planted area for the 1987 crop. Area is estimated to have jumped from 3.4 million hectares for the 1986 crop to 3.65 million for the 1987 crop. Likewise production likely rose to 7.2 million tons compared with 6.7 million in 1986. This production gain means that the need for imports has lessened somewhat.

China's beer brewing process requires about 1.2 kilograms of hops for every 1,000 liters of beer. China grows enough hops in most years and reportedly even exports some. However, hops output fluctuates year to year depending on the weather. This can be a problem since the Chinese do not have adequate equipment to prepare and store hops during the surplus years.— *David Schoonover, Agricultural Counselor, Beijing.*

Reform of Pig Production Could Boost Feed Imports

A shortage of pork in China appears likely to result in a partial restructuring of pig production in China. Shifting primary responsibility for commercial pig production over to large state farms, cooperatives and "specialized household" farming units is being widely talked about and supported by officials and in the press. Should such a restructuring of production occur, it could result in new export opportunities for U.S. feed grain exporters.

Currently, over 90 percent of Chinese pig production takes place on small private farms which raise only two to four pigs per farm. It is argued that these small farms cannot take advantage of economies of scale, nor can they absorb the huge price swings for pigs and pork. Larger state and privately run farms will ensure more stable supplies.

The new policy of concentrating pig production on large state farms, cooperatives and in "specialized households" is likely to encourage greater imports of feed grains. Though price and foreign exchange availability will continue to be the overriding factors in any import decisions, more hog production will be taking place on farms where those commodities will be in greater demand. Currently, the diets of 90 percent of China's hogs are comprised mostly of slop. China also is expected to continue its policy of producing a larger percentage of lean-meat pigs, which could open up additional markets for U.S. pig breeders.

Pork is the main source of meat protein for most Chinese (comprising 84 percent of total meat production). In spite of the current pork shortage, importing pork to satisfy domestic demand is not an option being considered by the government. The cost in foreign exchange of importing frozen pork or live pigs for slaughter would be much higher than either the Chinese government or local consumers could afford. —*Dave Schoonover, Agricultural Counselor, Beijing.*

The Netherlands

Shift to Summer Oranges Benefits U.S. Exporters

Fresh orange consumption in the Netherlands during 1986/87 increased to over 20 kilograms per capita — and there is every reason to believe that use will rise further in 1987/88.

Imports of fresh oranges from the United States increased almost threefold during 1986/87, rising to 11,641 tons. The United States was the third largest supplier of summer oranges, trailing Brazil and Argentina. There was a marked shift in imports from winter oranges to summer oranges. Winter oranges must increasingly compete with the popular, easy peeling clementines which often are preferred by Dutch consumers. After the winter, when the clementines have disappeared from the market, the Dutch consumer "rediscovers" the orange.

Imports of oranges from the Mediterranean countries during the winter months declined by 8 percent during 1986/87 from the year before, while imports of summer oranges from South America, the United States and South Africa rose 39 percent.

Dutch per capita consumption of grapefruit is also on the increase. Stepped up consumer promotion by the Florida Citrus Commission has probably helped to increase the Dutch grapefruit consumption overall as well as to increase the U.S. share of the Dutch import market. The United States is already the dominant supplier on the Dutch market for grapefruit. —*John E. Montel, Agricultural Counselor, The Hague.*

Singapore

Market Prospects Sweeten for Sales of Sugar-Containing Items

The lifting of Singapore's duty on raw and refined sugar at the start of the year could mean some new market opportunities for U.S exporters of soft drinks and sugar-based confections. Suppliers of fruit frozen in sugar may also want to take a close look at the small but growing market in Singapore for these items.

Although the cost of sugar within Singapore will drop now that the duty is removed, Singapore's local processors of soft drinks, cakes, biscuits and a variety of confectionery items are resisting efforts to lower their prices. As a consequence, U.S. entrepreneurs ready and able to invade this market with a campaign based on duty-free prices would find a welcome audience.

The markets for chocolate, candy and similar confections also are open to new exploration. All forms of chocolate processing in Singapore ceased many months ago, following the failure of repeated attempts to wean consumers away from imported brands and tastes. The drop in sugar prices may have some effect on future imports, although a duty on cocoa still remains.

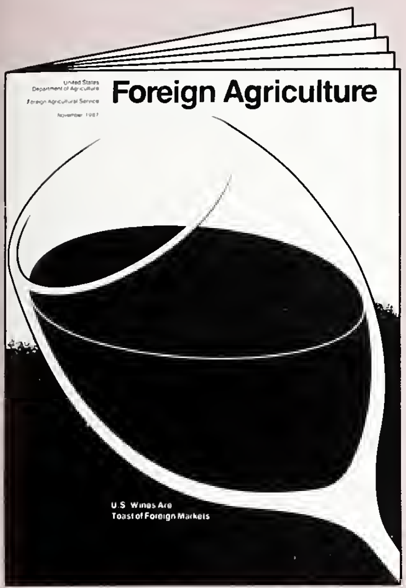
Another positive note in the market is that in the past some import firms may have shied away from handling items containing sugar because of the additional work, money and time involved in filling out duty forms, paying duty and having large sums of money tied up the moment stock arrived. These buyers may now be good prospects for more U.S confectioneries, candies and chocolates. —*Peter O. Kurz, Agricultural Trade Officer, Singapore.*

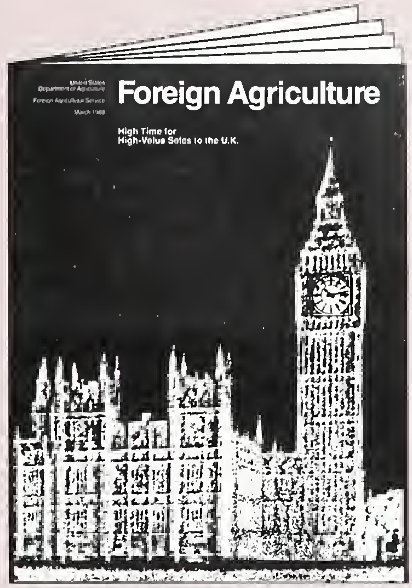
West Germany

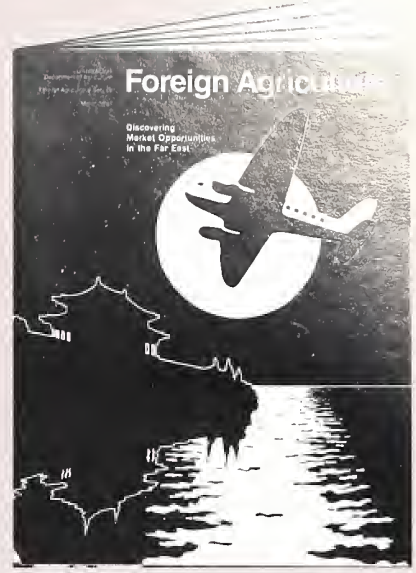
Demand Growing for Easy Peeling Citrus

Demand for easy peeling citrus fruit continues to increase in West Germany— and this could be good news for U.S. exporters of mineolas and tangerines. The strong demand for easy peelers primarily results from the convenience of these smaller size fruit as a snack item during work and for children as an attractive and healthy school food.

Per capita consumption of tangerines, including the larger group of easy peelers and citrus cross-breeds, reached 4.3 kilograms in 1986/87. However, the gains for this group of fruits took place largely at the expense of orange consumption. It appears that West German consumption of all fruits, citrus and noncitrus combined, has almost reached its maximum. Consumption increases of one product are often accompanied by declines for other fruits. U.S. producers and exporters of citrus fruit have a good chance of shipping mineolas and similar fruit to the German market during periods when Spanish fruit supplies are tapering off. The best months would appear to be March and April. Mineolas would appear to have the best market potential, and tangerines somewhat less because of their high seed content. —*Gerald W. Harvey, Agricultural Counselor, Bonn.*







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